

## **BUSINESS OPPORTUNITY**

LODGING, FOOD & BEVERAGE, RETAIL,  
TRANSPORTATION AND OTHER SERVICES

MAMMOTH CAVE NATIONAL PARK

*Department of the Interior*

National Park Service  
Southeast Region

**Contract No. CC-MACA002-16**



## INTRODUCTION

The National Park Service ("Service" or "NPS") intends to award a concession contract for visitor services to be provided at Mammoth Cave National Park ("Park") that include lodging, food and beverage, retail, bus transportation, public showers/laundry, and other services. This Prospectus describes in general terms the existing business operations and the future business opportunities for the facilities and services required by the Service. Offerors are responsible for reviewing all sections of this Prospectus and, specifically, the terms and conditions of the Draft Concession Contract CC-MACA002-16 ("Draft Contract") including its exhibits, to determine the full scope of the concessioner's responsibilities under the Draft Contract.

The Service is conducting this solicitation in accordance with the National Park Service Concessions Management Improvement Act of 1998 (P.L. 105-391) as implemented by the Service in Title 36 of the Code of Federal Regulations (C.F.R.) Part 51. The term "Concessioner" as used in this Prospectus refers to the entity that will be the new Concessioner under the Draft Contract. The Term "Existing Concessioner" refers to Forever NPS Resorts, LLC, the current Concessioner under the existing CC-MACA002-82 concession contract ("Existing Contract"). Copies of 36 C.F.R. Part 51 and the Existing Contract are included as Appendices to this Prospectus.

In the event of any inconsistency between the terms of this Prospectus and 36 C.F.R. Part 51, the latter will prevail. In the event of any inconsistency between the description of the contract terms contained in this Prospectus and the Draft Contract itself, the terms of the Draft Contract will prevail.

This opportunity includes operations long-associated with the concession operations at Mammoth Cave National Park.

Throughout this document, references to services and associated revenue and expenses, whether historical or projected, include services in the Draft Contract. It is important to note that several changes either have occurred or will occur prior to award of the contract (i.e. the elimination of 38 rooms in the Heritage Trail Wing of the hotel, consolidation of three food and beverage outlets into two outlets, consolidation of two retail outlets into one outlet, and bus drop-off in front of the hotel.)

### The National Park Service and Its Mission

In 1916, President Woodrow Wilson approved legislation creating the Service within the Department of the Interior. That legislation mandated that Congress create America's National Park Service to:

*...conserve the scenery and the natural and historic objects and the wild life therein and to provide for the enjoyment of the same in such a manner and by such means as will leave them unimpaired for the enjoyment of future generations. (16 U.S.C. 1)*

Additionally, Congress declared that the National Park System should be:

*...preserved and managed for the benefit and inspiration of all the people of the United States. . . . (16 U.S.C. §1a-1)*

The Service has as its overall mission the preservation and public enjoyment of significant aspects of the nation's natural and cultural heritage. To learn more about the National Park Service, visit [www.nps.gov](http://www.nps.gov). This site includes information about the Service's mission, policies, and information on individual park units.



### **Mammoth Cave National Park: The Longest Cave System in the World**

As an attraction, Mammoth Cave predates all national parks in the United States: historic records report that people first started visiting the cave in 1816, and it became internationally known by the mid-1800s. Congress authorized Mammoth Cave National Park on May 25, 1926. After over 15 years of effort to acquire the minimum amount of land, Mammoth Cave National Park was brought into the National Park System on July 1, 1941. The purpose of Mammoth Cave National Park is to preserve the cave system, including Mammoth Cave, the scenic river valleys of the Green and Nolin rivers, and a section of south central Kentucky for recreational use, particularly the hilly country north of Green River. The Park contains the longest recorded cave system in the world with more than 400 miles explored and mapped. The Park was designated a World Heritage Site on October 27, 1981, and became the core area of an International Biosphere Reserve on September 26, 1990.

The Park is located in Barren, Edmonson, and Hart counties and is approximately equidistant from Nashville, TN, and Louisville, KY. Cave City, KY, is the primary gateway town to the Park and is approximately a 10 to 15 minute drive from the Park's eastern entrance. Bowling Green, KY, is the nearest large town, and is approximately a 30-minute drive from the Park's south entrance.



Other visitor attractions and economic drivers in the region include several smaller, commercial caves, the National Corvette Museum, which is adjacent to the world's manufacturing facility for the Chevrolet Corvette, and Western Kentucky University.

Although cave touring is by far the primary attraction for most visitors to Mammoth Cave, the Park offers numerous options for outdoor recreation. Visitors to the region and local residents enjoy canoeing, kayaking, and fishing on the river running through the Park; and there are numerous hiking and equestrian trails, and opportunities for biking and camping. The Park is currently upgrading its elevator access to Mammoth Cave, which will allow the Park to offer ADA accessible cave tours in 2015, which is expected to attract several thousand additional visitors to the park.

The park offers the following recreational activities

- cave tours (approximately 7,000 tours conducted by the NPS each year);
- camping (three campgrounds including equestrian and group sites);
- biking (road and mountain);
- hiking;
- canoeing and kayaking (both private canoe/kayak access and commercial rentals and guided trips);
- and,
- horseback riding (both private horseback riding and commercial guided trips).

The Park's cooperating association, Eastern National, operates a gift shop in the new visitor center. The Park superintendent determines what items the cooperating association may sell at the association store.



*Tour at the Historic Entrance*



## CONCESSION OPPORTUNITY

This Prospectus offers the opportunity to operate the lodging facilities; two food and beverage operations; retail operations at the hotel and Camper Store; transportation services to and from cave entrances; and other ancillary services at the Park. The following describes the services included in the Draft Contract:

*Mammoth Cave has attracted over 345,000 cave visitors per year for the last 10 years*

**Lodging:** The Concessioner will operate the Mammoth Cave Hotel including the Sunset Terrace Lodge, the Historic Cottages, and the Woodland Cottages

**Food & Beverage:** The Concessioner will provide food and beverage operations at a full service dining room and a new fast casual facility, both of which are located in the Mammoth Cave Hotel.

**Retail:** Retail provides the largest source of revenue for the Draft Contract. The Concessioner will operate a gift shop located in the Mammoth Cave Hotel offering merchandise and Kentucky-made crafts. Additionally, the Concessioner will operate the Camper Store at the Service Center Complex, which provides grocery, camping supplies, and convenience items.

**Transportation:** The Existing Concessioner currently operates eight buses to transport approximately 42% of cave tour visitors from the Park visitor center to various cave entrances. Transportation back from the cave tour will drop off tour visitors in front of the Mammoth Cave Hotel during the approximately eight-month long peak season, March through October, and in front of the Park visitor center during off peak season. Each year, the NPS offers approximately 3,500 to 4,000 cave tours requiring shuttle transportation.

**Other:** The Concessioner will provide vending, kennels, and public shower/laundry services within its facilities.

### Required and Authorized Services

Exhibit 1 presents the Required and Authorized Services for the Draft Contract.

#### Exhibit 1 – Required and Authorized Services for the Draft Contract

Required Services	Details
Lodging	4 ADA accessible rooms at Mammoth Cave Hotel
	20 Sunset Terrace Lodge Rooms
	10 Historic Cottages
	20 Woodland Cottages
Food and Beverage	Family casual dining
	Fast casual dining
Retail/Merchandise	1,222 s.f. Gift Shop
	1,080 s.f. Camper Store at the Service Center Complex
Shower and Laundry Facilities	3 washers and 3 dryers, 6 shower stalls at Service Center Complex
Transportation	8 buses
Pet Kennels	8 runs
Authorized Services	Location
Paddle craft rental	Service Center Complex
Bicycle rental	Service Center Complex
Camping equipment rental	Service Center Complex

Source: NPS



### Employee Housing

The Park will assign a multi-unit housing facility for use by the Concessioner's employees. If an Offeror identifies a need for additional employee housing, the Offeror must plan to accommodate this housing outside the Park

### Existing Concession Operations

The Existing Concessioner provides the services summarized in Exhibit 2 under the Existing Contract, a copy of which is included in an Appendix to this Prospectus.

#### Exhibit 2 - Existing Contract Required and Authorized Services

Required Services	Details
Lodging	38 Heritage Trail Rooms
	4 ADA accessible rooms in Hotel
	20 Sunset Terrace Lodge Rooms
	10 Historic Cottages
	20 Woodland Cottages
Food and Beverage	164-seat Travertine Dining Room
	54-seat Crystal Lake Café
	64-seat TrogloBITES
Retail/Merchandise	1,176 s.f. Craft Store
	1,222 s.f. Gift Shop
	300 s.f. Visitor Center Space
	1,080 s.f. Camper Store
Shower and Laundry Facilities	N/A
Transportation	8 buses
Pet Kennels	8 runs
<b>Authorized Services</b>	
Bicycle rental	Service Center Complex

Source: NPS



## INVESTMENT ANALYSIS

### Estimate of Beginning Leasehold Surrender Interest (“LSI”)

The Existing Contract does not have any Possessory Interest or LSI in real property improvements, accordingly there is no beginning LSI under the Draft Contract.

Standard NPS concession contracts provide that a concessioner will obtain LSI in capital improvements constructed in accordance with the terms of such contract. Standard contract language defines “capital improvements” as the construction of “structures” and “major rehabilitations” and the installation of “fixtures” (including non-removable equipment) as those terms are defined. Upon contract termination or expiration, the concessioner will be entitled to compensation for its LSI. The Service may also extinguish LSI during the term of a concession contract by payment of its value to the concessioner. In general, the value of LSI is equal to:

The initial construction cost of the related capital improvement adjusted by the percentage increase or decrease in the Consumer Price Index from the date of substantial completion of the construction of the related capital improvement to the date of payment of the Leasehold Surrender Interest Value, less depreciation of the related capital improvement.

### Depreciating Leasehold Surrender Interest

As set forth in Exhibit A to the Draft Contract, over the term of the Draft Contract, replaced capital improvements (fixtures) will depreciate over the term of the 10-year Draft Contract.

Aside from any specifically identified qualifying projects required by the Draft Contract, the Service does not intend to approve construction projects or major rehabilitation projects that will add LSI during the term of the Draft Contract.

### Deferred Maintenance

The Concessioner is required to cure deferred maintenance during the first two years of the Draft Contract. The Service estimates that fulfilling this requirement will cost \$703,000. The Service provides brief descriptions of deferred maintenance projects as an attachment to Exhibit H (Maintenance Plan) of the Draft Contract.

### Concession Facility Improvement Program (CFIP)

- ***Consolidate Food and Beverage Operations***

The Concessioner must reconfigure the café and fast food facilities to provide a more efficient and responsive food service. The Concessioner may demolish a portion of the wall that currently separates the former coffee shop and quick service operations. This would allow for circulation and seating to be located throughout the two spaces, consolidating the provision of food service into one space. A fast casual food operation offering beverages and a combination fast casual/grab-and-go food operation will be located in the consolidated space. The Service estimates that personal property for implementing this project will cost \$200,000.

- ***Sunset Terrace Lodge Improvements***

The Service is performing real property improvements associated with renovation of the Sunset Terrace Lodge. With the funding available, the work will include as much of the following as possible: upgrading two rooms to be ADA compliant, roof replacement, window upgrades, ventilation and insulation improvements, added moisture control, HVAC system replacement, drainage improvements, landscaping, walkway improvements, floor treatment replacement, painting, etc. The Service’s renovation work is planned to begin on October 19, 2015 with completion by March 12, 2016 in order to limit the impact on the lodging operation. The Service anticipates that the funding for this project, currently approved at \$850,676 in FY 2015, will be sufficient to complete most of the improvements identified above and that these rooms will be in an improved, usable condition for the concessioner on March 12, 2016.

The Concessioner must pay for and provide, at its cost, all new personal property required to properly perform the required Draft Contract services in the renovated units. The Concessioner must also fund





new drapes, blinds and interior decorations in all the renovated units. The Service estimates the Concessioner's share of the cost for this project to be \$247,000 for all personal property, including but not limited to furniture, fixtures, and equipment.

- **Consolidate Retail Store Operations**

The Concessioner must consolidate the two retail operations in the main Mammoth Cave Hotel building into one retail outlet. The Concessioner shall select one of the two existing locations for the consolidated retail outlet and provide for NPS approval a proposal for the proposed consolidation. Improvements to the upper gift shop have recently been completed and this area is now much more accessible and inviting, and therefore is the preferred location for retail operations. The Service estimates the cost for this project to be \$25,000, including \$2,500 of real property improvements such as fixtures and wiring and \$22,500 of personal property improvements. If the lower space is selected for a consolidated retail operation, the Concessioner will need to ensure that this area is ADA compliant.

### Personal Property

The Existing Contract requires the Existing Concessioner to sell and transfer to the new Concessioner other tangible property used or held for use within the Park in connection with the Existing Contract operation with the exception of the Heritage Trail wing personal property. The Service intends to close and demolish the Heritage Trail wing at the end of the Existing Contract and not continue its operation. The Existing Concessioner may dispose of the personal property associated with the Heritage Trail wing operation in accordance with Existing Contract Section 12(a)(2)(iii). Appendix J to this Prospectus includes a recent inventory list of Personal Property, except the Heritage Trail wing personal property, as provided by the Existing Concessioner. The Service estimates that the value of the remaining personal property the new Concessioner must purchase from the Existing Concessioner will total approximately \$364,000 in 2016 dollars. This total includes personal property used in the operation, such as furniture, fixtures, equipment, and vehicles. This value is only an estimate, and the final negotiated values could differ from this estimate.

In addition to the investment required to purchase existing personal property items, the Service has identified several components of the Existing Concessioner's personal property inventory that will need replaced prior to beginning operations on the effective date of the Draft Contract. For example, the Concessioner must replace (by purchaser lease or other method of acquisition) two buses costing an estimated \$120,000 each. The Service estimates that the total personal property investment required between 2016 and 2017 will be \$714,000.

### Working Capital, Inventory and Pre-Opening Costs

The new Concessioner will incur startup costs prior to commencing operations under the Draft Contract. Below, the Service presents its assumptions regarding these anticipated pre-opening expenses.

- **Working capital:** Working capital includes merchandise inventory, accounts receivable, and accounts payable. The Service calculates working capital as the deduction of accounts payable from the sum of ending inventory and accounts receivable. The Service estimates required working capital will total \$437,000.
- **Production of collateral materials:** The production of collateral materials includes estimated expenses for developing brochures, advertising, and web-based promotional pieces. The Service estimates this to be approximately \$55,000.
- **Management staff recruitment, relocation, and administrative support:** The Service assumes that the new Concessioner will replace certain incumbent employees and/or reorganize the existing management staff of the operation. It also assumes that the new Concessioner will require three months to prepare for properly performing the operation on start-up prior to commencement of the Draft Contract operation. The Service estimates that this cost will be approximately \$55,000.
- **Operating supplies:** The Service assumes that the new Concessioner will purchase operating supplies to support the new concession operation. This is estimated to be approximately \$14,000.



### Estimate of Required Investment

Exhibit 3 details the Service's estimate of the Concessioner's initial investment. Personal Property associated with the required improvement program includes the purchase of two new alternative fuel powered vehicles.

**Exhibit 3 – Initial Investments in 2016**

Item	Amount <sup>1</sup>
Leasehold Surrender Interest	\$0
Deferred Maintenance (Year 1)	\$347,000
Personal Property Initial Investment	\$365,000
Personal Property Replacement	\$714,000
Working Capital	\$437,000
Other Pre-Opening Expenses	\$124,000
<b>Total</b>	<b>\$1,987,000</b>

<sup>1</sup>All dollar amounts represented in 2016 \$

Source: NPS

The Service expects the Concessioner to make the investments detailed in Exhibit 4 in 2017.

**Exhibit 4 – Estimated Investments in 2017**

Item	Amount <sup>1</sup>
Concession Facilities Improvement Program	\$0
Deferred Maintenance (Year 2)	\$356,000
Concessions Facilities Improvement Plan (CFIP)	\$2,500
Personal Property Associated with Improvement Programs	\$467,000
<b>Total</b>	<b>\$825,500</b>

<sup>1</sup>All dollar amounts represented in 2017 \$

Source: NPS

### Repair and Maintenance Reserve

The Draft Contract requires the Concessioner to establish a Repair and Maintenance Reserve to ensure that funds are available to accomplish certain recurring component renewal activities. Refer to Section 10 (c) of the Draft Contract for guidance on the terms and conditions of the Repair and Maintenance Reserve. The Concessioner must fund the Repair and Maintenance Reserve by allocating one percent (1.0%) of annual gross receipts. As further explained in the Draft Contract, the Concessioner must expend sufficient additional monies necessary to maintain the Concession Facilities to the satisfaction of the Director.





**No Preferred Offeror**

The Director of the Service has determined that no Preferred Offeror for this Draft Contract exists pursuant to the terms of 36 C.F.R. Part 51. This solicitation for commercial services is fully competitive.

**Franchise Fee**

The minimum franchise fee is four percent (4.0%) of annual gross receipts for years two through 10 of the Draft Contract. The Service will be completing rehabilitation of the Mammoth Cave Hotel infrastructure during the first 5 months of the Draft Contract term. The Concessioner will be operating with some temporary facilities during this time. For this reason, the franchise fee during year one will be zero percent (0.0%) of annual gross revenues.

**Term and Effective Date**

The CC-MACA002-15 Draft Contract has a term of ten (10) years beginning on its effective date, which the Service estimates as January 1, 2016. The effective date of the Draft Contract may change prior to contract award if determined necessary by the Service. The Service will change the expiration date of the Draft Contract to preserve the intended 10-year term length from any adjusted effective date.



*Alternative Fuel Buses*

**PROJECTED REVENUE**

In developing prospective revenue estimates, the Service made the following assumptions:

- Estimated inflation at 2.7 percent on an annual basis;
- Decreased ARN and higher occupancy for the lodging operation;
- Fewer covers and a higher average check at the consolidated coffee shop/fast food facility; and,
- The winter lodging closure reduces revenues across the lodging, food and beverage, and retail departments.

Offerors should note that the projections and estimates contained in this Business Opportunity and all other Prospectus documents are estimates only and they are intended only for the purposes outlined in this Business Opportunity and elsewhere in the Prospectus documents. Accordingly, these estimates and projections are not warranted by the Service and the Service is not bound by the estimated or projected amounts indicated. All Offerors are responsible for conducting their own due diligence and calculating their own estimates and projections for revenues, costs, and all other purposes related to the Draft Contract.

**Lodging**

Lodging will generate the third largest proportion of revenue under the Draft Contract. The Service anticipates that the elimination of 38 Heritage Trail rooms, renovation of the Sunset Terrace Lodge



rooms, and winter closure will result in a decrease in annual net occupied room nights. The Service has assumed the Hotel Cottages and renovated Sunset Terrace Lodge rooms will be able to absorb some of the lost Heritage Trail room nights, but approximately 2,500 to 3,500 room nights will remain unaccommodated after the loss of the Heritage Trail rooms. The Service expects the loss of Heritage Trail occupied room nights will have a minor impact on the food and beverage and retail departmental revenues.

Exhibit 5 presents prospective ranges for lodging operations in the first stabilized year of operation (2016). Concession lodging rates are subject to Service approval.

#### Exhibit 5 - Projected Lodging Operating Statistics (2017)

	Occupied Room Nights	Average Daily Rate
Mammoth Cave Hotel	8,300 – 8,900	\$90 – \$100
Lodging Revenue as % of Total Revenue		15% – 20%

Source: NPS

### Food and Beverage

Food and Beverage will generate the second largest proportion of revenue under the Draft Contract. The Existing Concessioner offers three dining operations: a full-service dining room, a full-service, more casual coffee shop operation, and a quick service outlet. The Concessioner will be required to submit a renovation project plan, for NPS approval, to consolidate the quick service and coffee shop operations into a single, fast casual facility, which will provide significant efficiencies for the next operator.



Travertine Dining Room

There are limited dining options closer than Bowling Green, Kentucky to the south, and Elizabethtown, Kentucky to the north. Exhibit 6 presents prospective ranges for food and beverage operations in the first stabilized year of operation.

#### Exhibit 6 - Projected Food and Beverage Operating Statistics (2016)

	Covers	Average Check
Breakfast	10,000 – 13,000	\$7.50 – \$8.25
Lunch	90,000 – 110,000	\$8.25 – \$9.00
Dinner	11,000 – 14,000	\$13.50 – \$14.25
Refreshments	30,000 – 40,000	\$2.50 – \$3.00
<b>Total</b>	<b>141,000 – 177,000</b>	<b>\$7.50 – \$8.25</b>
<b>Food and Beverage Revenue as % of Total Revenue</b>		<b>27% – 33%</b>

Source: NPS

### Retail



On a gross revenue basis, retail sales are the most important component of the Mammoth Cave National Park concession operation. Retail sales have historically represented 33 percent of total revenue, ranging from approximately 32 percent in 2011, to 35 percent in 2012, or \$1.17 million to \$1.40 million, respectively.

It is important to note that one of the largest recent influences on retail sales was the addition of package beer and wine sales. As presented in Exhibit 11, only 2012 retail revenues reflect packaged alcohol sales. As noted, the Service discontinued package alcohol sales in August of 2013. The Service notes that, without the Camper Store's packaged alcohol sales, gross retail revenues for 2012 would have totaled \$1.18 million, similar to retail sales achieved in 2011.



The Service believes that by consolidating the Craft Shop and the Gift Shop under the Draft Contract, the Concessioner will have an opportunity to optimize retail offerings. The Concessioner must develop and implement a merchandising plan for its retail operations describing themes and marketing strategies for each unique location.

The NPS assumes future retail revenues will benefit from the increased messaging regarding concession offerings in the visitor center and on the transportation buses, and, more notably, the transportation drop off location in front of the Mammoth Cave Hotel. At the same time, the Service assumes the winter closure of retail operations will slightly reduce retail revenues.

Exhibit 7 presents projected ranges for retail operations in the first stabilized year of operation.

**Exhibit 7 - Projected Retail Sales Metrics (2016\$)**

Location	Customers	Average Customer Spend
Lodge Gift Shop	370,000 – 410,000	\$3.25 – \$4.75
Camper Store	10,000 – 12,000	\$8.00 – \$8.75
<b>Total</b>		<b>\$11.25 – \$13.50</b>
<b>Retail Department Revenue as % of Total Revenue</b>		<b>33% – 37%</b>

*Projected ranges given are based on stabilized year.*

Source: NPS

## Transportation

Approximately 42 percent of visitors to the Park who take a cave tour use the transportation/bus shuttle service provided by the Existing Concessioner to access their cave tour. Between 2008 and 2011, the number of visitors taking tours requiring bus transportation fluctuated between 43 and 45 percent, and then dropped to 39 percent in 2012. The Service notes that the slight decline in bus shuttle ridership is not necessarily indicative of declining Park visitation; in fact, 2012 cave visitation actually increased over 2011. The Service estimates that shuttle ridership will total about 42 – 44 percent of total cave visitation. Exhibit 8 shows the proportion of projected total revenue to be garnered by transportation services.

**Exhibit 8 – Projected Transportation Demand and Sales Metrics**

	Guests Transported	Average Rate/Estimated Total Revenue
Guests Transported	155,000 – 185,000	\$3.00 – \$3.75
Transportation Revenue as % of Total Revenue		10% – 15%



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*Source: NPS*

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**Other Revenue**

The remaining sources of revenue for the Draft Contract include shower, laundry, kennel, and other operating income.

The Service estimates these operations will continue at status quo levels, increasing only by the rate of inflation for the term of the Draft Contract.



*Ranger Leading a Group Tour*



## MARKET AREA OVERVIEW

Mammoth Cave National Park is located in south central Kentucky. Kentucky is surrounded by Missouri to the west; Illinois, Indiana, and Ohio to the north; Virginia and West Virginia to the east; and Tennessee to the south. The red box in the exhibit shows the location of the park.

### Exhibit 9 – Regional Context of Mammoth Cave National Park



*Source: Google Maps*

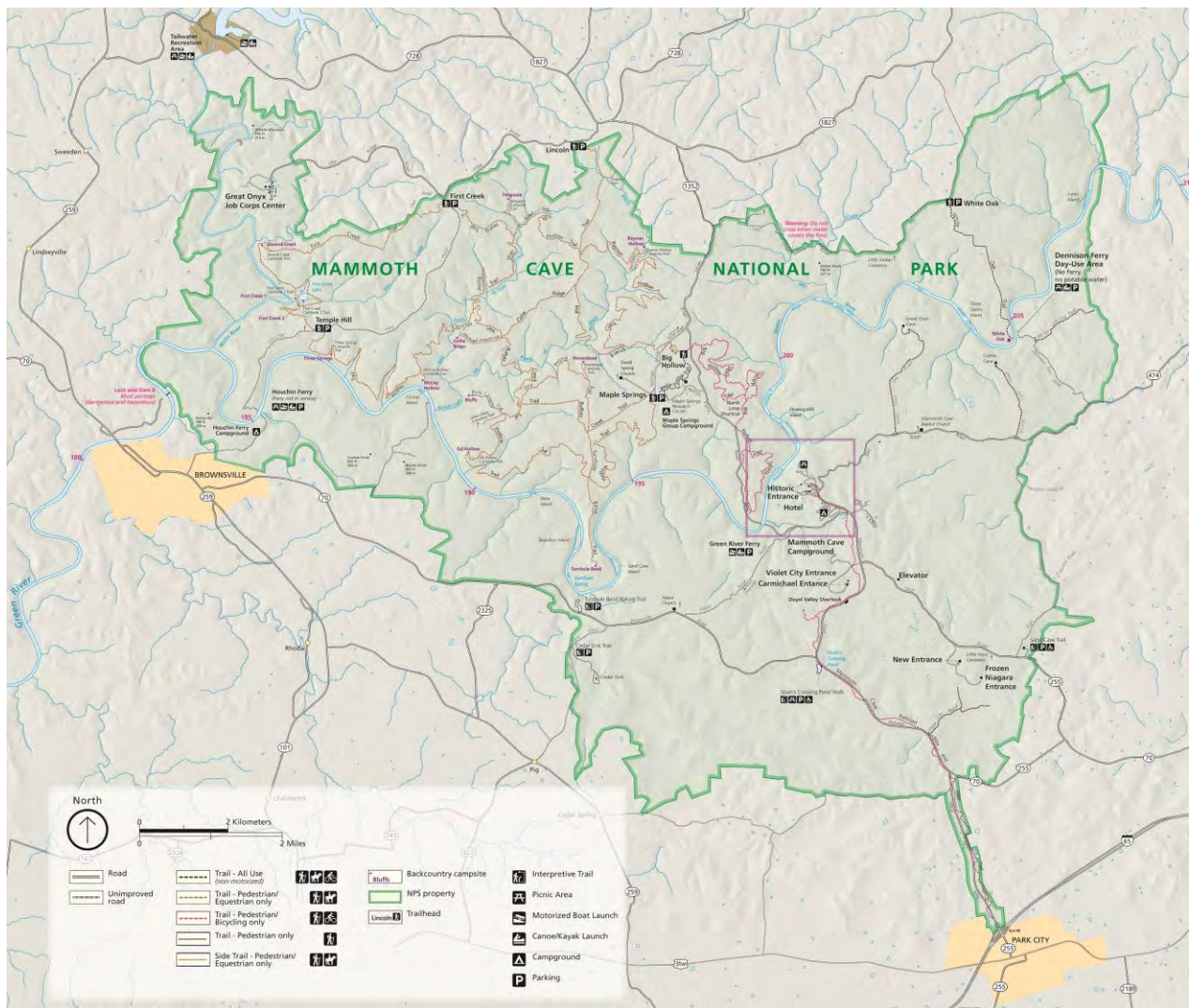
Kentucky's location along two major north/south interstates (I-65 and I-75), and between Cincinnati and Nashville make it a popular stopover destination for leisure travelers travelling from northern states to Florida and the Gulf Coast. Mammoth Cave National Park is rated as one of the top tourism destinations within the State, and the Park's proximity to I-65 makes it an attractive option for those traveling through the region.

The following map provides a more detailed geographic context for the Park.





### Exhibit 10 – Map of Mammoth Cave National Park



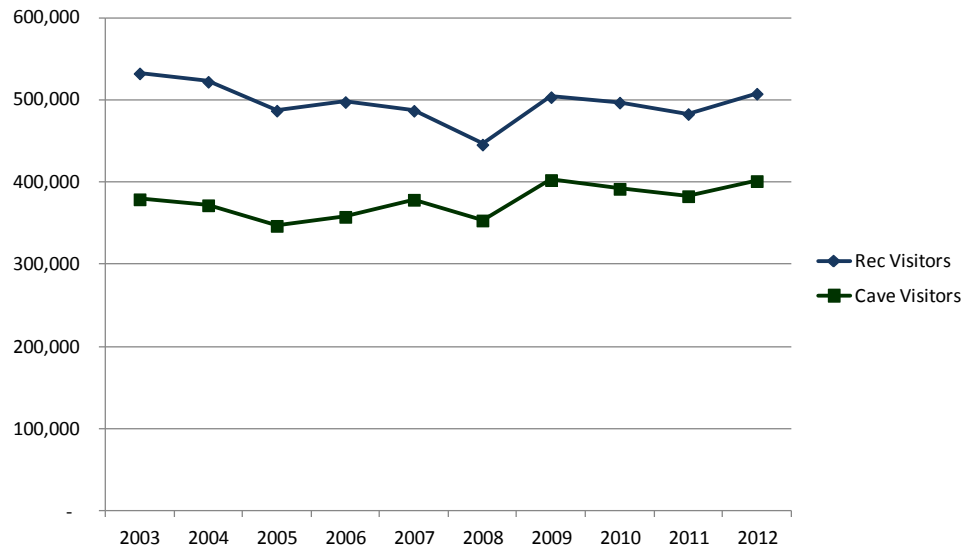
Source: NPS



### ***Mammoth Cave National Park Visitation***

Cave visitation has been stable at between 350,000 to 400,000 visitors per year for the last 10 years. More recently, cave visitation has exhibited growth. On average, recreational Park visitation exceeds cave visitation by approximately 100,000 annually.

**Exhibit 11 – Mammoth Cave National Park Historical Visitation**



*Source: NPS*

The recent increase, in both cave and overall recreational visitation post 2008, appears primarily due to the effects of the recession, as drive-to destinations like the Park have become significantly more popular across the nation, with visitors seeking to take their holidays closer to home to reduce costs. In addition, there has been an increase in coordinated marketing and tourism promotion for the Mammoth Cave area by local tourism offices.

Utilization of concession services more strongly correlates to cave visitation than it does to general park visitation. Food and beverage and retail sales are more dependent on overall cave visitation than lodging – which can generate some of its own demand through appropriate marketing.

### ***Local Competitive Market***

The Mammoth Cave concession operations face significant competition from hotels and restaurants in Cave City, KY. The concession operation does not compete directly with hotels and restaurants in Bowling Green, KY. The following paragraphs present a more detailed discussion of each of these two markets.

### ***Lodging***

The Cave City area is the primary competitive market for the Mammoth Cave Hotel, while the Bowling Green, KY, market is considered a secondary competitive market.

Located 10 to 15 minutes from the Park's eastern entrance, the majority of Cave City's hotels and restaurants are located just off the access ramps for Interstate-65. The lodging market consists of limited-service properties of mixed age and quality, all of which lack food and beverage facilities. Many of the properties have exterior corridors and are in varying condition of repair. Despite a 15-percent increase in available room nights between 2008 and 2012 (due to the opening of a Sleep Inn and the re-opening of a property newly branded as a Quality Inn), the 2,808-room Cave City market was able to maintain occupancy levels around 49 percent.





### Food and Beverage

As is typical of the area located near an interstate highway exit, fast food options dominate the Cave City food and beverage market. There are a select few full-service restaurants, including a Cracker Barrel, and several Mexican-themed options. The food and beverage options along I-65 are generally the same as those available in Cave City until a traveler gets closer to Bowling Green, where the food and beverage options expand greatly.

### Retail

The area surrounding the park presents several retail options considered competitive with the concession, most of which focus on cave-related souvenirs and memorabilia. The retail operation's strongest competitor is the Eastern National cooperating association store, which is located in the new visitor center.

### Transportation

The transportation service provides bus transportation from the Visitor Center to Cave Entrances. On average, just over 40 percent of all cave visitors to Mammoth Cave choose to visit the cave via an entrance other than the Historic Entrance (which is located within walking distance of the visitor center). There are no competitors for the bus transportation operation.



*Cave Shuttle Bus Visitors at Cave Entrance*

### Market Seasonality

Visitation to Mammoth Cave and the surrounding region is seasonal in nature and heavily influenced by school and vacation schedules. As a result, the Park sees a surge in visitation for three to five weeks during school vacation periods in the spring and peak visitation during the summer months and during major holidays.

As presented in the exhibit below, 75 percent of annual Park visitation consistently occurs between April and September. It should be noted that the concession operation also experiences increases during President's Day Weekend, mid-to-late-March (for the start of school spring break periods), October (for fall foliage), in November (during weekends and around the Thanksgiving holiday), and in late December between Christmas and New Year's Day.

**Exhibit 12 – Mammoth Cave Visitation Seasonality**

	1 <sup>st</sup> Quarter (Jan – Mar)	2 <sup>nd</sup> Quarter (April – June)	3 <sup>rd</sup> Quarter (July – Sept)	4 <sup>th</sup> Quarter (Oct – Dec)	TOTAL
<b>2010 Visitors</b>	38,738	133,021	169,623	51,015	392,397
<b>% of Total</b>	10%	34%	43%	13%	100%
<b>2011 Visitors</b>	38,806	130,228	161,481	52,910	383,425
<b>% of Total</b>	10%	34%	42%	14%	100%
<b>2012 Visitors</b>	46,782	142,238	160,664	52,136	401,820





*Note: Visitor Count includes only those visitors who take a cave tour. Recreation visitors who do not take a cave tour average about 100,000 additional visitors per year.*

*Source: NPS*



*Historic Entrance to Mammoth Cave*



## FINANCIAL AND OPERATING DATA

The Proposal Package (Part III of this Prospectus) requires Offerors to develop financial projections based on the operations the Concessioner is required to provide under the Draft Contract. To assist Offerors in the development of these projections, the Service presents information regarding historical utilization and operating information on the following pages. Please note that operating projections are only estimates based on Service assumptions developed considering publicly available historical data, industry standards, and other comparable information from other facilities.

The Service does not guarantee these projections will materialize and assumes no liability for the accuracy of the projections presented. Offerors must compile and prepare their own financial projections based on their independent assumptions and industry knowledge.

### ***Park Issues to Consider Under the Draft Contract***

#### **Lodging**

Prior to the start of the Draft Contract, the Service will discontinue use of the 38 rooms in the two-story Heritage Trail wing. The four ADA-accessible rooms located in the main lodge building will remain. For the main lodging building, the NPS is planning life-safety and utility upgrades to the building's mechanical systems. The work includes replacement of the HVAC system, electrical system upgrades, and the installation of an improved fire protection system. The heating system will be via propane. Completing this work will require approximately seven months, and an additional two months for contingencies. The NPS plans to award a contract in August 2015 with work commencing on September 10, 2015, with completion by May 16, 2016. As this work is reaching completion and in coordination with the Service and contractor completing the renovation work, the Concessioner will be provided access to the building between April 1, 2016 and May 15, 2016.



*Guests Arriving at the Mammoth Cave Hotel*

The 20 Sunset Terrace Lodge units are also scheduled for renovation work between October 19, 2015 and March 12, 2016. With the funding available, the work will include as much of the following as possible: upgrading two rooms to be ADA compliant, roof replacement, window upgrades, ventilation and insulation improvements, added moisture control, HVAC system replacement, drainage improvements, landscaping, walkway improvements, floor treatment replacement, painting, etc.. The Service anticipates that the funding for this project, currently approved at \$850,676 in FY 2015, will be sufficient to complete most of the improvements identified above and that these rooms will be in an improved, usable condition for the concessioner on March 12, 2016. The Service has assumed that the Concessioner will fund all new personal property required for the renovated units and that the Concessioner will fund the purchase of new drapes and blinds in all the renovated units.

During the construction period, the main hotel building will be out of service and the following temporary operations will be necessary. For lodging, the Concessioner must establish a proposal (for NPS approval) for a lodging check-in location at the Camper Store or in the office area behind the Camper Store (when lodging is available).



## Food and Beverage



*Visitors in Line at Crystal Lake Cafe*

After evaluating the existing food and beverage operations, the NPS determined that merging the existing coffee shop and fast food operation would allow for circulation and seating to be located throughout the two spaces, consolidating food service into one location. The Service proposes eliminating the full-service coffee shop concept, and replacing the coffee shop and the fast food operations with a combined fast casual/grab-and-go food operation. The new Concessioner is to submit a plan for this renovation work, and following NPS approval, complete the renovation work to consolidate these outlets within the first full year of operation (by March 1, 2017). Renovation work should minimize disruption. Note: if the Concessioner is interested in pursuing this renovation work prior to May 16, 2016 to take advantage

of the 2016 peak operating season, the NPS will consider a proposal from the Concessioner to complete some or all of this renovation work prior to May 16, 2016. However, there is no guarantee that the NPS will provide approval since it may not be possible to coordinate this work with the main hotel utility work contractor.

The Concessioner is expected to continue operation of the lodging, bus transportation, retail sales and food and beverage services during the closure of the main lodge building. Food service at Mammoth Cave will be operated out of temporary facilities during the Park-funded rehabilitation of the main lodge building. These temporary facilities may be a combination of food trucks, barbecue grill, or other options near the visitor center as well as a grab and go and other food service inside and outside of the Camper Store. These temporary facilities and associated equipment will be considered personal property. The Service expects to complete its project by May 16, 2016.

The Concessioner must submit a temporary food and beverage operation plan for review and approval by both the service and the Public Health Service.

During the construction period, the main hotel building will be out of service and the following temporary operations will be necessary.

For food and beverage operations, the Concessioner is required to provide, for NPS approval, a proposal for establish provide a limited grab and go service or package food service in the Camper Store. In addition, the Concessioner may provide additional food and beverage services. Though not required, the following options may be proposed by the Concessioner for NPS approval:

- a. Establish a temporary food cart operation on the plaza adjacent to the southeast corner of the visitor center.
- b. Establish a temporary food and beverage area (i.e. trailer, tent, tables, etc.) in the grassy area between the bus loop and the visitor center parking lot.
- c. Establish a temporary food and beverage area (i.e. trailer, tent, tables, etc.) adjacent to the Camper Store, either on the paved area or on the grassy area nearby.
- d. The Concessioner may submit an additional proposal if there is a better alternative for providing additional temporary food and beverage services.

The Snowball Dining Room, a food outlet located inside the cave, was until recently a unique and popular attraction for visitors. The NPS permanently discontinued use of this dining venue in 2013. The remaining concession food venues appear to have absorbed much of the loss of lunch revenue related to the Snowball Dining Room.



*Kids Listening to a Lantern Cave Tour*





## Retail

The NPS has determined that the two retail concepts in the main lodge building may be excessive relative to the size of the operation. Therefore, the Concessioner will consolidate the two retail operations into a single, more organized and better merchandized retail outlet. The existing gift shop may house the new consolidated retail operation unless the Concessioner prefers to consolidate in the Craft Shop space. Assuming the Concessioner chooses to consolidate in the Upper Gift Shop area, the NPS plans to authorize the Concessioner to use the former Craft Shop space for another purpose, as proposed by the Concessioner, with NPS approval. If the lower space is selected for a consolidated retail operation, the Concessioner will need to ensure that this area is ADA compliant.

During the construction period, the main hotel building will be out of service and the following temporary operations will be necessary. For retail operations, the Concessioner is required to temporarily make use of approximately 500 square feet in the Park visitor center. Though not required, the Concessioner is authorized to repurpose some of the Camper Store or other parts of this building for retail. The Concessioner may submit a different proposal if there is a better alternative for providing additional temporary retail operations for Service approval.

## Transportation

To increase the use of the concession retail and food and beverage operations, the Service will direct the Concessioner to drop off cave tour guests in front of the Mammoth Cave Hotel between mid-March and early November. The increased foot traffic will help the Concessioner attract more guests and increase its exposure to visitors. The Concessioner will drop off visitors at the Park Visitor Center between early November and mid-March.

## Other

Presently, there is a large retail storage area in the space adjacent to the Rotunda Room. The NPS believes that this space is better utilized as revenue-producing meeting room space. Therefore, the concession is required to use the area for meeting room space. The Concessioner is responsible for identifying an alternative location for retail storage, with the Services approval, (i.e. in part of the existing retail areas, in the basement, in Service Center Building, etc.)



The current showers and laundry facility in the Camper Store complex is in need of rehabilitation. The Service is actively seeking NPS funding to complete this renovation work. It will involve making these facilities ADA accessible and improving these areas to provide more effective visitor services. When this project is approved for funding, the Service will try to schedule the work during the off-season to minimize disruption of visitor services. Although it is not known if or when this project will receive funding, the Service is attempting to secure funds and implement this project within the next 1-3 years. The work will involve an expansion to the current footprint of the existing showers and laundry facility. The area of expansion has not yet been determined, but it will involve expanding into at least one of the adjacent three rooms that are shown in Appendix I-4.

*Sunset Terrace Walkways*

## Name Change Opportunity

The Service is interested in seeing the next concessioner develop a cohesive, marketable brand for the MACA002 concession. As such, the Service encourages the next Concessioner to consider changing the current name of the concessioner facility as well as the names of each of the retail, food and beverage, and lodging operations conducted under the Draft Contract. The Service will not consider any name



changes as intellectual property of the Concessioner. Additionally, the Service must approve in advance any proposed name changes.



*Cave Visitors During a Tour*

### **Historical Gross Revenue**

As illustrated in Exhibit 14, the average annual gross revenue for the Existing Contract over the five-year period of 2008 through 2012 was \$3.78 million, and the compound annual growth rate (CAGR) was 2.9 percent. All departmental revenues exhibited growth over the period. Lodging revenue increased by a CAGR of slightly more than one percent, while food & beverage and retail revenues grew annually by 5.2 and 4.6 percent, respectively. Transportation increased by about 1.5 percent. The Existing Concessioner previously offered fuel sales at the Camper Store, but discontinued this offering in 2010.

### **Exhibit 13 - Historical Annual Gross Revenue<sup>1</sup> 2010-2012**

	2010	2011	2012
<b>Total Gross Revenue, CC-MACA002-82</b>	\$3,814,646	\$3,717,489	\$3,990,194

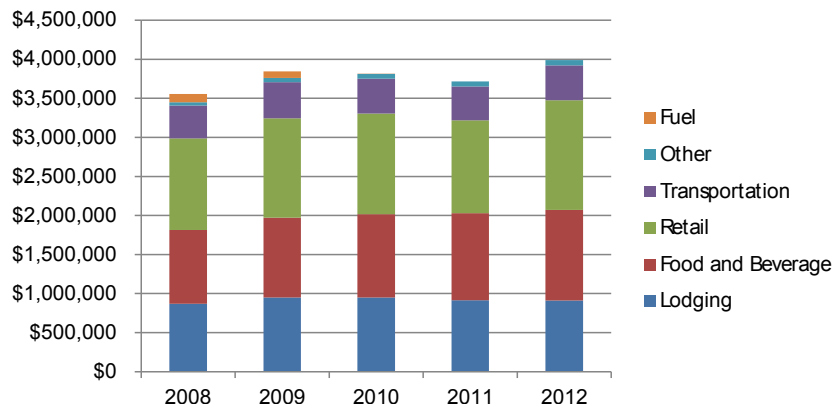
<sup>1</sup>Total gross revenue includes revenue from the Heritage Trail rooms.

*Source: Forever NPS Resorts, LLC*

The most recent year-over-year revenue trends show a slight decline in rooms revenue of (0.3) percent, food & beverage growth of 3.9 percent, and a large increase in retail of approximately 18 percent. The NPS notes that the large increase in retail revenues in 2012 was due almost entirely to the sale of packaged beer and wine in the Camper Store. The Park authorized the Existing Concessioner to sell beer and wine in its food and beverage outlets in 2011, and then authorized packaged beer and wine sales in the Camper Store in 2012. The NPS discontinued packaged beer and wine sales in August 2013, but allowed full alcohol service in the Mammoth Cave Hotel food and beverage outlets in late fall of 2013.

Exhibit 15 provides a graphic representation of the contribution of each major category of revenue allocated to key departments.

### **Exhibit 14 - Historical Revenue Distribution<sup>1</sup>**



<sup>1</sup> Gross revenue presented represents actual historical gross revenues associated with the services required under the Existing Contract, as reported by the Existing Concessioner.

*Source: NPS*



## SITE VISIT

A site visit will occur on the date listed on the inside front cover of this Prospectus. Please RSVP if you plan to attend the site visit at least one week in advance.

Bruce Powell, Deputy Superintendent  
Phone: 270-758-2186  
Email: [bruce\\_powell@nps.gov](mailto:bruce_powell@nps.gov)

The site visit will be an opportunity for all interested parties to get an overview of the concession operation along with a tour of Concession Facilities associated with the Draft Contract.



*Visitors Boarding a Bus for a Cave tour*